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## International Unions

### Geneva Treaty (Scientific Discoveries)

#### Ratification

#### MOROCCO

The Government of Morocco deposited, on June 4, 1981, its instrument of ratification of the Geneva Treaty on the International Recording of Scientific Discoveries, adopted at Geneva on March 3, 1978.

The date of entry into force of the said Geneva Treaty will be notified when the required number of ratifications or accessions is reached in accordance with Article 17(1) of the said Treaty.

Geneva (Scientific Discoveries) Notification No. 2, of June 11, 1981.

## Plant Varieties

### International Convention for the Protection of New Varieties of Plants

#### I

#### Ratification

#### IRELAND

The Government of Ireland deposited, on May 19, 1981, its instrument of ratification of the International Convention for the Protection of New Varieties of Plants (UPOV) of December 2, 1961, as revised at Geneva on November 10, 1972, and on October 23, 1978.

The number of contribution units applicable to Ireland for the purpose of determining its share in the total amount of contributions to the budget of UPOV is one.

The date of entry into force of the said International Convention will be notified when the required number of ratifications, acceptances, approvals or accessions is reached in accordance with Article 33(1) of the said International Convention.

UPOV Notification No. 18, of May 29, 1981.

#### II

#### Ratification of the Act of October 23, 1978

#### SWITZERLAND

The Government of Switzerland deposited, on June 17, 1981, its instrument of ratification of the Act of October 23, 1978, of the International Convention for the Protection of New Varieties of Plants (UPOV).

The date of entry into force of the said International Convention will be notified when the required number of ratifications, acceptances, approvals or accessions is reached in accordance with Article 33(1) of the said International Convention.

UPOV Notification No. 19, of June 19, 1981.

## General Studies

### Contributory Infringement in the United States of America: Theory, Application, Developments\*

(Continued)

A.S. ODDI\*\*

#### III. Repair/Reconstruction Dichotomy and Contributory Infringement

When a product protected by a patent is sold by or with the authorization of the patent owner, the purchaser of the product receives an implied license to use and also to resell that particular product.<sup>107</sup> The patent rights with regard to the particular product are "exhausted" by the first legal sale. However, the purchaser of the patented product, absent an actual grant of a license under the patent, does not receive the right to "make" the product. Furthermore, the implied license granted by the sale does not extend to the "reconstruction" of the patented product. Nonetheless, the implied license to use the patented product does extend to the "repair" of the product. In other words, *repair* is permissible, but *reconstruction* is not, the latter being considered a "remaking" of the patented product. If the patent owner can establish that the patented invention has been reconstructed, i.e., made again, he would have a cause of action for direct infringement against the reconstructor of the product. This is because the purchaser of the product had only an implied license to use the product, including the right to repair it, but did not have the right to remake it. In addition, the patent owner would have a cause of action for contributory infringement against a person contributing to the impermissible reconstruction which constituted the direct infringement. The contributory infringement would commonly take the form of the sale of a replacement part alleged to be used in the reconstruction of the patented product originally sold by or with the authorization of the patent owner.

The dichotomy between repair and reconstruction may be illustrated by the following example. The pat-

ent owner P sells D a patented razor consisting of a razor blade and a frame for holding the razor blade. Neither the frame nor the blade is separately patented. C sells replacement razor blades which are designed to fit the razor frame described in P's patent. D purchases a replacement blade from C and uses it in the frame purchased from P. Is D a direct infringer of P's patent, and is C a contributory infringer?<sup>108</sup> If the exclusionary rights under the patent extend this far, then the owner of the patent on the razor combination can retain the lucrative razor blade replacement market to himself. In other words, purchasers of patented razors from him will be required also to purchase replacement razor blades from him. The issue of whether the sale of replacement parts for patented inventions constitutes contributory infringement has provided a fertile ground for litigation. As might be expected, the courts have had considerable difficulty in resolving the issue of permissible repair versus forbidden reconstruction.

The Supreme Court first addressed the repair/reconstruction issue in *Wilson v. Simpson*,<sup>109</sup> decided in 1850. In that case, the Supreme Court held that it was permissible repair for the owner of a patented planing machine to replace the cutting knives without the consent of the patent owner. The rationale for this conclusion was that since, in the normal course of using the machine, the knives wore out, its owner was entitled to maintain the life of the machine for its intended use. Because there was no direct infringement by the owner of the machine, there could be no contributory infringement by the seller of the replacement knives. The razor blade example given above would seem to fall clearly within the rule of *Wilson v. Simpson*.<sup>110</sup>

The Supreme Court sustained a finding of contributory infringement on the basis of the reconstruction of a patented product in *American Cotton Tie Co. v. Simmons*,<sup>111</sup> decided in 1882. The patented invention consisted of a metal band having one end fixed to a buckle, with the free end of the band being inserted into the

\* This is the second of a two-part study. The first part was published in the June issue.

\*\* Professor of Law, Northern Illinois University.

<sup>107</sup> *Adams v. Burke*, 84 U.S. (17 Wall.) 453, 456 (1874). "That is to say, the patentee or his assignee having in the act of sale received all the royalty consideration which he claims for use of his invention in that particular machine or instrument, it is open to the use of the purchaser without further restriction on account of the monopoly of the patentee."

<sup>108</sup> Answering both questions in the negative are: *Eversharp, Inc. v. Philip Morris, Inc.*, 374 F.2d 511 (4th Cir. 1967), *aff'g. per curiam* 256 F.Supp. 778 (D. Va. 1966); *Gillette Safety Razor Co. v. Hawley Hardware Co.*, 64 F.2d 10, 17 U.S.P.Q. 401 (2d Cir. 1933), *cert. denied*, 290 U.S. 649 (1933); *Gillette Safety Razor Co. v. Standard Safety Razor Co.*, 64 F.2d 6, 17 U.S.P.Q. 397 (2d Cir. 1933), *cert. denied*, 290 U.S. 649 (1933); *American Safety Razor Co. v. Frings Brothers Co.*, 62 F.2d 416, 16 U.S.P.Q. 79 (3d Cir. 1932), *cert. denied*, 289 U.S. 726 (1933).

<sup>109</sup> 50 U.S. (9 How.) 109 (1850).

<sup>110</sup> See cases cited in n. 108, *supra*. Note the Supreme Court refused to grant certiorari in three of those cases, and the court of appeals reversed a finding of contributory infringement by the district court in the two *Gillette* cases.

<sup>111</sup> 106 U.S. 89, 95 (1882). "Because the defendants prepare and sell the arrow tie, composed of the buckle or link and the band, intending to have it used to bale cotton and to produce the results set forth in [plaintiff's] patents, they infringe these patents."

buckle for baling cotton. The defendant purchased, as scrap, used baling devices which had originally been marketed by the patent owner and lawfully used to bale cotton. The bands of these devices had been severed when the cotton was unbaled. The defendant riveted the severed bands together and then resold the devices. In finding that this constituted contributory infringement, the Supreme Court distinguished *Wilson v. Simpson*,<sup>1</sup> on the ground that this was not the mere replacement of a worn part, but rather was the reconstruction of a product that had served its intended purpose (to bale cotton) and had been voluntarily destroyed by an authorized user.

In 1894, the Supreme Court, in *Morgan Envelope Co. v. Albany Paper Co.*,<sup>112</sup> found that the owner or licensee of a patented toilet paper dispenser did not infringe the patent on the dispenser by purchasing toilet paper from a source other than the patent owner. Since the toilet paper was consumed in the normal use of the patented combination, the authorized user was entitled to replace the toilet paper. Thus, the seller of the toilet paper, even though the roll of paper was adapted to fit the patented dispenser, could not be held a contributory infringer.

Fifteen years later, however, the Supreme Court in *Leeds & Catlin v. Victor Talking Machine Co. (No. 2)*<sup>113</sup> enjoined the sale of phonograph records (which were unpatented) to be used in the patented record player machine marketed by the patent owner (Victor). The seller had previously been enjoined as a direct infringer from selling the patented machine which included the record as part of the combination. At that time the Victor machine was the only commercially available phonograph player, and the record discs were especially adapted for playing on the Victor machine. The rationale of the Court was that, since an owner of a Victor machine would directly infringe the combination patent on the record player by using records purchased from other than Victor or an authorized seller, such a seller of records was a contributory infringer. The court distinguished the *Morgan Envelope* case on the factual basis that toilet paper was "perishible" but phonograph records were not. *Wilson v. Simpson* was found inapplicable since there was no pretense that the seller was selling records to replace broken or worn out records; rather, records were being sold to increase the repertory of music of the owner of the machine. The Court concluded:

"The license granted to a purchaser of a patented combination is to preserve its fitness for use so far as it may be affected by wear or breakage. Beyond this there is no license."<sup>114</sup>

In 1923, consistent with *Wilson v. Simpson*, the Supreme Court held in *Heyer v. Duplicator Mfg. Co.*<sup>115</sup> that the owner of a patented mimeograph machine

could replace a gelatin band for receiving print, which wore out in the normal operation of the machine. The supplier of the replacement bands thus was free to sell them to owners of the machine, since this was mere repair.

Then came the famous *Mercoïd*<sup>116</sup> decisions, in 1944, holding that it was patent misuse to require unpatented components, even those whose only use was in infringing a patent, to be purchased from or with the authorization of the patent owner. Mr. Justice Douglas stated:

"*Leeds & Catlin Co. v. Victor Talking Machine Co. (No. 2)*, *supra*, is authority for the conclusion that he who sells an unpatented part of a combination patent for use in the assembled machine may be guilty of contributory infringement. The protection which the Court in that case extended to the phonograph record, which was an unpatented part of the patented phonograph, is in substance inconsistent with the view we have expressed in this case. The rule of the Leeds & Catlin case (No. 2) accordingly must no longer prevail against the defense that a combination patent is being used to protect an unpatented part from competition."<sup>117</sup>

It should be noted, however, that the *Mercoïd* cases did not involve the repair/reconstruction issue.

After the enactment of the 1952 Patent Act, the issue of contributory infringement under Section 271(c) came to the Supreme Court on a repair/reconstruction issue in the *Aro I*<sup>118</sup> case. The patent covered an automobile convertible top structure, which included as a component part the fabric so shaped as to complete the top. An action for contributory infringement was brought against the seller of the shaped fabric tops, which were being sold to automobile owners to replace worn-out tops originally used in the patented structure.

The Supreme Court rejected the argument of the patent owner that the particular shape of the convertible top fabric constituted the "advance in the art," the very "heart of the invention," and thus should be protected under the patent, stating:

"Yet this court has made it clear in the two *Mercoïd* cases that there is no legally recognizable or protected 'essential' element, 'gist' or 'heart' of the invention in a combination patent."<sup>119</sup>

<sup>116</sup> *Mercoïd Corp. v. Mid-Continent Investment Co. (Mercoïd I)*, 320 U.S. 661, 60 U.S.P.Q. 21 (1944); *Mercoïd Corp. v. Minneapolis-Honeywell Regulator Co. (Mercoïd II)*, 320 U.S. 680, 60 U.S.P.Q. 30 (1944).

<sup>117</sup> 320 U.S. at 668, 60 U.S.P.Q. at 25. Footnote 1 appearing after the word "defense" in the textual quotation has been deleted. This footnote states:

"The Court in that case did not refer to the doctrine of misuse of a patent. The doctrine indeed was developed in this Court some years later as shown by the Motion Picture case. The record in the Leeds & Catlin case indicates that the point which we deem crucial in the instant case was adverted to only obliquely in the briefs. The Court was chiefly concerned with the proposition that a substitution or renewal of an unpatented element of a combination patent, as distinguished from its repair, is a 'reconstruction' of the combination. 213 U.S. pp. 33, 336."

<sup>118</sup> 365 U.S. 336, 128 U.S.P.Q. 354 (1961).

<sup>119</sup> 365 U.S. at 345, 128 U.S.P.Q. at 359.

<sup>112</sup> 152 U.S. 425 (1894).

<sup>113</sup> 213 U.S. 325 (1909).

<sup>114</sup> *Id.* at 336.

<sup>115</sup> 236 U.S. 100 (1923).

The Supreme Court also rejected a multifaceted test applied by the Court of Appeals<sup>120</sup> below in holding that this was reconstruction of the patented combination. In relying upon *Wilson v. Simpson* as the leading case the Court stated:

"The Court [in *Wilson v. Simpson*] explained that it is 'the user of the whole' of the combination which a purchaser buys, and that repairs or replacement of the worn out, damaged or destroyed part is but an exercise of the right 'to give duration to that which he owns, or has a right to use as a whole.'"<sup>121</sup>

The Court distinguished the *American Cotton Tie* case and concluded:

"In order to call the monopoly, conferred by the patent grant, into play for a second time, it must indeed be a second creation of the patented entity, as, for example, in *American Cotton Tie v. Simmons*, *supra*. Mere replacement of individual unpatented parts, one at a time, whether of the same parts repeatedly, or different parts successively, is no more than the lawful right of the owner to repair his property. Measured by this test, the replacement of the fabric involved in this case must be characterized as permissible 'repair,' not 'reconstruction.'"<sup>122</sup>

It thus appears clear that once a patented product is sold, either by the patent owner or with his authorization, the purchaser of the product has the right to keep the patented product as a whole in repair and may do so short of a "second creation" of the patented invention. Since the owner of the product does not directly infringe the patent by repairing it, the seller of replacement parts cannot contributorily infringe the patent whether or not he has full knowledge of the patent and actively induces the owner of the patented product to purchase the part from him and whether or not the replacement part is a non-staple having no other use than in the patented invention.<sup>123</sup>

The strictness with which the Supreme Court would apply the *Aro I* test on reconstruction is illustrated in *Wilbur-Ellis Co. v. Kuther*,<sup>124</sup> decided in 1964. In the *Kuther* case it was held to be permissible repair to resize and relocate six out of 35 parts of a patented canning machine to enable the rebuilt machine to pack smaller size cans than the original machine had been designed to pack.

The "second creation" test announced in *Aro I* has not proved easy to apply. In two cases decided shortly after *Aro I*, the Circuit Court of Appeals for the Fifth Circuit (*Fromberg, Inc. v. Thornhill*)<sup>125</sup> and the Ninth Circuit (*Fromberg, Inc. v. Gross Mfg. Co.*)<sup>126</sup> came to opposite conclusions on this issue in cases involving

the same patented device and substantially identical conduct on the part of the alleged contributory infringers. The patent in question covered a device for repairing punctures in tubeless automobile tires. This device consisted of only two parts: a cylindrical metal tube and a cylindrically shaped rubber insert compressed within the metal tube. A punctured tire would be repaired by first inserting the device into the puncture hole with a special tool and then removing the metal tubing; the rubber insert would expand as the tubing was removed, thereby sealing the puncture. The patent owner charged contributory infringement under Section 271(b) and (c) against the sellers of replacement rubber inserts to be placed within expended metal tubes that had originally been sold by the patent owner with the inserts.

In *Fromberg, Inc. v. Thornhill*,<sup>127</sup> the Fifth Circuit Court of Appeals recognized that *Aro I* was a binding precedent on the question of the test for reconstruction and that a multifaceted test had been replaced by the single factor test of "does this really make a new device." The court, however, went on to say:

"... Of course it does not take long to recognize that such simplicity is beguiling, and in the process of a judicial determination a number of factors must be considered.... The principal point of this inquiry is whether, when sold by Patentee, it is reasonably contemplated that the device will be repeatedly used...."<sup>128</sup>

The court concluded that the patent owner intended that the device, i.e., the metal tube plus the rubber insert, was only to be used once. This conclusion then brought the case precisely within *American Cotton Tie Co. v. Simmons*, discussed *supra*, where the patent owner of the device for baling cotton intended it to be used only once and even went so far as to place a notice on the device that it was licensed only for a single use. Thus, since the patent owner intended only the single use, the seller who induced the direct infringement of the patent by selling replacement inserts to be used in the expended metal tubes (originally sold by the patent owner) could be held liable as a contributory infringer.

The Ninth Circuit Court of Appeals, in *Fromberg, Inc. v. Gross Mfg. Co.*,<sup>129</sup> disagreed with the Fifth Circuit. The Ninth Circuit argued that even though the *American Cotton Tie* decision may not have been overruled, subsequent decisions have at least "given it a very narrow effect."<sup>130</sup> In rejecting the reasoning of the Fifth Circuit, the court considered it immaterial that the patent owner contemplated or expected that his patented device would not be used again. Rather the

<sup>120</sup> 270 F.2d 200, 122 U.S.P.Q. 536 (1st Cir. 1959). The basis for the decision was: "[T]he life of the fabric is not so short, nor is the fabric so cheap, that we can safely assume the owner [of the automobile] would rationally believe that in replacing it [the fabric] he was only making a minor repair to the top structure. 270 F.2d at 205, 122 U.S.P.Q. at 540-41." See Hildreth, "Contributory Infringement," 44 J. Pat. Off. Soc'y 512 (1962), for an analysis of the various tests used to determine repair or reconstruction.

<sup>121</sup> 365 U.S. at 342-43, 128 U.S.P.Q. at 358.

<sup>122</sup> 365 U.S. at 346, 128 U.S.P.Q. at 359.

<sup>123</sup> See *Wells Mfg. Co. v. Littlefuse, Inc.*, 547 F.2d 346, 192 U.S.P.Q. 256 (7th Cir. 1976).

<sup>124</sup> 377 U.S. 422, 141 U.S.P.Q. 703 (1964). This was decided the same day as the *Aro II* case, 377 U.S. 476, 140 U.S.P.Q. 681 (1964).

<sup>125</sup> 315 F.2d 407, 137 U.S.P.Q. 84 (5th Cir. 1963).

<sup>126</sup> 328 F.2d 803, 140 U.S.P.Q. 641 (9th Cir. 1964).

<sup>127</sup> *Supra* n. 125.

<sup>128</sup> 315 F.2d at 412, 137 U.S.P.Q. at 87-8.

<sup>129</sup> *Supra* n. 126.

<sup>130</sup> 328 F.2d at 809, 140 U.S.P.Q. at 645. In reference to the *Cotton Tie* case, Mr. Justice Whitaker stated in a footnote to the majority opinion in *Aro I* that "the fact that the ties were marked 'Licensed to use once only' was deemed of importance by the Court." 365 U.S. at 343, n. 9, 128 U.S.P.Q. at 358, n. 9. In his concurring opinion in *Aro I*, Mr. Justice Black stated: "The patent involved there was a cotton bale tie. Marked on each, for whatever it was worth, was 'Licensed to use once only'" (emphasis added). 365 U.S. at 356, 128 U.S.P.Q. at 363.

court must look at the patented device *objectively* to determine whether the patented device had been reconstructed in such a way as to constitute a remaking; since the unpatented metal tube when removed from the tire was capable of re-use, anyone should be free to "repair" it by inserting a rubber insert into it.

As can be seen from the two *Fromberg* cases, the single factor test of remaking may not provide an adequate standard for determining whether a patented device is being permissibly repaired or impermissibly reconstructed.<sup>131</sup> One can agree with the reasoning of the Ninth Circuit that the obviously self-serving contemplation or expectation of the patent owner should be immaterial in the determination of whether his patented device is being impermissibly reconstructed. However, there certainly can be an objective determination that the patented device itself is consumed by a single use, e.g., the baling device in the *Cotton Tie* case. Nonetheless, from a public policy standpoint, it is questionable whether there is any justification for treating patented products expended in a single use differently from those patented products whose use extends over long periods of time before replacement of parts is required.

#### IV. Contributory Infringement/ Patent Misuse Interface

The doctrines of contributory infringement and patent misuse "rest on antithetical underpinnings."<sup>132</sup> Contributory infringement is based on the tort doctrine that a person acting in concert with another who commits a tort shall be held equally liable. Under the doctrine of contributory infringement, the patent owner may thus extend his exclusive right to those who contribute to the infringement of his patent. On the other hand, the antithetical foundation of patent misuse is the equitable principle that a court will not aid a "wrongdoer" in enforcing a right. In other words, the

party seeking the court's assistance must come into court with "clean hands." Stated in terms of patent law: it is against public policy for a patent owner to extend the monopoly of the patent grant beyond the scope of the patented invention, and one who engages in conduct which attempts to extend the monopoly to non-patented articles used in or in connection with the invention will be deemed guilty of misusing the patent. The doctrine of patent misuse thus provides those parties accused of direct or contributory infringement with a defense that the patent owner cannot enforce the patent because of his misuse of the patent. In short, the clash of these two concepts is inevitable: contributory infringement serves to extend the protection granted to a patent owner, while patent misuse serves to limit that protection.

It should be understood, however, that patent misuse is only an equitable defense which bars the patent owner from enforcing the patent; it does not affect the validity of the patent. As stated by Chief Justice Stone for the Supreme Court in *Morton Salt Co. v. G. S. Suppinger Co.*:<sup>133</sup>

"Equity may rightly withhold its assistance from such a use of the patent by declining to entertain a suit for infringement, and should do so at least until it is made to appear that the improper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated."<sup>134</sup>

The patent owner thus cannot enforce the patent at least until such time as the practice constituting the misuse has been discontinued and the effects of such misuse have been dissipated. It follows, however, that once the misuse and its effects no longer persist, the patent owner may proceed, as any other patent owner, in enforcing the patent.

The complexities and ramifications of the concept of contributory infringement have already been discussed.\* Now a detailed consideration of patent misuse as it interfaces with contributory infringement will be undertaken. However, whenever two highly technical and competing doctrines must be balanced and interrelated by the courts, it can be expected that the courts will experience considerable difficulty in resolving controversies when the doctrines collide. This difficulty was aptly expressed by Circuit Judge Gee of the Fifth Circuit Court of Appeals at the conclusion of his exhaustive opinion in *Rohm & Haas Co. v. Dawson Chemical Co.*:<sup>135</sup>

"With this, we have about exhausted our present capacity for rational thinking on patent matters. As we noted during the oral argument of this case, patent cases are the only cases argued by professionals and decided by amateurs. We take some comfort in noting that any shortcomings of our effort can safely be laid to the difficulty of the subject matter. Mr. Giles S. Rich [now Judge on the Court of Customs and Patent Appeals] observed on several occasions during the hearings on Section 271 that patent law is 'the metaphysics' of the law and that contributory infringement/patent misuse issues are the metaphysics of patent law."<sup>136</sup>

<sup>131</sup> See, e.g., the following cases decided after *Aro I: Wells Mfg. Co. v. Littlefuse, Inc.*, 547 F.2d 346, 192 U.S.P.Q. 256 (7th Cir. 1976) (not reconstruction to replace one part when patent covering combination); *General Electric Co. v. United States*, 572 F.2d 745, 198 U.S.P.Q. 65 (Ct. Cl. 1978) (not reconstruction to disassemble a number of patented gun mounts at the same time into their 17 component parts to overhaul them and then to re-assemble the mounts with various parts being intermixed); *TSC Industries, Inc. v. International Harvester Co.*, 406 F.2d 53, 160 U.S.P.Q. 34 (7th Cir. 1968) (not reconstruction to mold new rubber lugs to metal plates); *High Voltage Engineering Corp. v. Potentials, Inc.*, 398 F. Supp. 18, 188 U.S.P.Q. 535 (W.D.Tex. 1974) (not reconstruction when part intended for prolonged rather than one-time use); *Farrand Optical Co., Inc. v. United States*, 325 F.2d 328, 139 U.S.P.Q. 249 (2d Cir. 1963) (not reconstruction to replace bomb sights). Cf., *Hydril Co. v. Crossman Engineering, Inc.*, 152 U.S.P.Q. 171 (E.D.Tex. 1966) (reconstruction to take parts from worn out patented apparatus to be used in rebuilding the apparatus); *Monroe Auto Equipment Co. v. Precision Rebuilders, Inc.*, 229 F. Supp. 347, 141 U.S.P.Q. 626 (D.Kas. 1964) (rebuilding worn-out shock absorbers, impermissible reconstruction).

<sup>132</sup> As stated by the majority of the Supreme Court in *Dawson Chemical Co. v. Rohm & Haas Co.*: "First, we agree with the Court of Appeals that the concepts of contributory infringement and patent misuse 'rest on antithetical underpinnings.' 599 F.2d at 697." 100 S.Ct. 2601, 206 U.S.P.Q. 385 (1980).

\* See *Industrial Property*, June 1981, p. 177.

<sup>133</sup> 314 U.S. 488, 52 U.S.P.Q. 30 (1942).

<sup>134</sup> 314 U.S. at 493, 52 U.S.P.Q. at 33.

<sup>135</sup> 599 F.2d 685, 203 U.S.P.Q. 1 (5th Cir. 1979).

<sup>136</sup> 599 F.2d at 706, 203 U.S.P.Q. at 19.

This decision was affirmed by the Supreme Court in *Dawson Chemical Co. v. Rohm & Haas Co.*<sup>137</sup> and will be discussed *infra*.

Some historical background may be useful in understanding how the doctrines of contributory infringement and patent misuse interrelate. As discussed above, patent owners were able to rely on the doctrine of contributory infringement from as early as 1871 in the landmark case of *Wallace v. Holmes*.<sup>138</sup> In 1896, the Sixth Circuit Court of Appeals in *Heaton-Peninsular Button-Fastener Co. v. Eureka Specialty Co.*<sup>139</sup> (*Button-Fastener* case) held that a patent owner could sell a patented machine for sewing buttons on shoes on condition that the user of the machine purchased the buttons only from him. Thus, if this condition were violated, the user of the machine would become a direct infringer; a competing seller of the unpatented buttons to the user of the patented machine would be a contributory infringer of the patent. The Supreme Court followed the reasoning of the *Button-Fastener* case in *Henry v. A.B. Dick Co.*,<sup>140</sup> decided in 1912. The Court sustained the patent owner's right to require that owners of its patented mimeograph machines purchase unpatented ink for use in the patented machine exclusively from the patent owner. An unauthorized seller of unpatented ink to the owner of the patented machine would be held as a contributory infringer, provided the seller had adequate notice of the restriction.<sup>141</sup> The *Button-Fastener* and *A.B. Dick* cases clearly constitute the apogee of the doctrine of contributory infringement in the United States.

The rationale of the *Button-Fastener* and *A.B. Dick* cases is that, since the patent owner had the right to exclude others entirely from using his invention and was under no duty to use the invention himself, he then could place any lesser conditions for permitting the use of his patent.<sup>142</sup> Hence, a condition for being authorized to use the patented invention which required the user to purchase unpatented articles from the patent owner would fall within the scope of protection granted under the patent.

This extensive right of the patent owner was not long-lived. Five years later the *A.B. Dick* case was overruled

in *Motion Picture Patents Company v. Universal Film Mfg. Co.*<sup>143</sup> (*Motion Picture* case) by the Supreme Court. The Court observed that it had become common practice for patent owners to affix a notice on the patented product that a license for its use was granted only under certain conditions, such as purchasing unpatented products for use in connection with the patented product. In the *Motion Picture* case, the notice stated that the purchaser of the patented motion picture projector was only to use it with motion picture film obtained with the authorization of the patent owner. The film was unpatented and formed no part of the patented combination. The Court found that the patent granted the owner solely "the right to an exclusive use of the new and useful discovery which has been made—this and nothing more." The Court then concluded:

"A restriction which would give to the plaintiff such a potential power for evil over an industry ... is plainly void, because wholly without the scope and purpose of our patent laws and because, if sustained, it would be gravely injurious to that public interest, which we have seen is more a favorite of the law than is the promotion of private fortunes."<sup>144</sup>

The doctrine of patent misuse was thus born.<sup>145</sup>

Over the next three decades, the Supreme Court extended the doctrine of patent misuse to other situations. In 1931, the Court held, in *Carbice Corporation v. American Patents Development Corporation*,<sup>146</sup> that a patent covering a refrigerator container employing solid carbon dioxide (dry ice) could not be enforced against a competing seller of dry ice on the basis of contributory infringement. The patent owner did not manufacture or sell the patented containers but was a competing seller of dry ice, which was an unpatented and staple article of commerce. In the invoices for the sale of dry ice, the patent owner granted a license to use the patented containers upon the condition that dry ice was purchased from him. Thus, *Carbice* extended patent misuse to conditions requiring the purchase of unpatented staples from the patent owner even though the staple constituted part of the patented invention.

Next, in *Leitch Mfg. Co. v. Barber Co.*,<sup>147</sup> decided in 1937, the Supreme Court held that the owner of a process patent for road building using a bituminous material could not enforce the patent against a competitor selling the same bituminous material, which was an unpatented staple. Mr. Justice Brandeis, speaking for a unanimous Court, stated that the rule of the *Carbice* case "declared every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited."<sup>148</sup> The Court found that it was of no legal significance that the patent owner did not expressly condition the use of the patented process by

<sup>137</sup> 100 S.Ct. 2601, 206 U.S.P.Q. 385 (1980).

<sup>138</sup> 29 F.Cas. 74 (No. 17,100) (C.C.D.Conn. 1871).

<sup>139</sup> 77 Fed. 288 (6th Cir. 1896).

<sup>140</sup> 224 U.S. 1 (1912).

<sup>141</sup> In *Carelyou v. Johnson & Co.*, 207 U.S. 196 (1907), the Supreme Court refused to hold liable the seller of materials to owners of a patented machine where a restriction had been placed on the owners requiring them to purchase materials only from the patent owner, since it had not been shown that the seller had adequate notice of the restriction.

<sup>142</sup> "The property right to a patented machine may pass with no right of use, or with only the right to use in a specified way, or at a specified place, or for a specified purpose. The unlimited right of exclusive use which is possessed and guaranteed to the patentee will be granted if the sale be unconditional. But if the right of use be confined by specific restriction, the use not permitted is necessarily reserved to the patentee. If that reserved control of use be violated, the patent is thereby involved. The right to sever ownership and use is deductible from the nature of the patent monopoly and is recognized in the cases." *Henry v. A.B. Dick Co.*, 224 U.S. 1, 24-5 (1912).

<sup>143</sup> 243 U.S. 502 (1917).

<sup>144</sup> *Id.* at 519.

<sup>145</sup> The term "patent misuse" does not appear in the *Motion Picture* opinion. The Supreme Court first used the word "misuse" in the *Morton Salt* case, 314 U.S. at 493, 52 U.S.P.Q. at 33. See the passage quoted in the text at n. 134, *supra*.

<sup>146</sup> 283 U.S. 27, 8 U.S.P.Q. 211 (1931).

<sup>147</sup> 302 U.S. 458, 36 U.S.P.Q. 35 (1937).

<sup>148</sup> 302 U.S. at 463, 36 U.S.P.Q. at 36.

road builders on the purchase of the bituminous material from him because an *implied* license was granted to such purchasers by the patent owner.

In *Morton Salt Co. v. G.S. Suppinger Co.*, the Supreme Court introduced the word "misuse" in reference to the conduct of patent owners and articulated the equitable nature of the doctrine of patent misuse:

"It is a principle of general application that courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest."<sup>149</sup>

The *Morton Salt* decision further extended the application of the doctrine. In the three preceding cases, the patent owner was competing with the accused contributory infringer in the sale of unpatented articles for use either in or in connection with the patented invention. In contrast, the defendant in *Morton Salt* was charged with direct infringement, rather than contributory infringement, for making and leasing allegedly infringing salt dispensing machines for use in the canning industry. Both the patent owner and the accused infringer did sell salt tablets adapted for use in the machines; however, the Supreme Court considered this to be immaterial to its decision:

"Where the patent is used as a means of restraining competition with the patentee's sale of an unpatented product, the successful prosecution of an infringement suit even against one who is not a competitor in such sale is a powerful aid to the maintenance of the attempted monopoly of the unpatented article, and is thus a contributing factor in thwarting the public policy underlying the grant of the patent."<sup>150</sup>

The Court held that the patent owner misused the patent by conditioning the lease of its patented salt dispensing machines on the requirement that the lessees purchase salt tablets solely from it; thus the patent could not be enforced against a direct infringer. It is clear that, because of the misuse, the patent could not be enforced against a person selling the unpatented salt tablets as a contributory infringer.

*B.B. Chemical Co. v. Ellis*,<sup>151</sup> the companion case to *Morton Salt*, involved a process patent for reinforcing insoles in the manufacture of shoes. The patent owner did not grant to shoe manufacturers express licenses to use the patented process; rather he sold fabric pre-coated with cement and cut into strips of a size suitable for use in practicing the patented method. The patent owner alleged that not only did the defendant sell the pre-coated fabric but also actively induced the shoe manufacturers to infringe the patent. In following *Morton Salt*, the Court held that even though the defendant may have been involved in the infringement beyond merely selling the unpatented material, the maintenance of any infringement action of whatever form would be contrary to public policy. An interesting aspect of this case is that the patent owner indicated that he would now be willing to offer shoe manufacturers an unconditional license under the process patent,

which would enable the manufacturer to purchase the material from any source on the payment of a royalty to the patent owner. The Supreme Court, however, deemed it inappropriate at that time to consider the consequences of such an offer pending a showing that the misuse had been terminated and the consequences fully dissipated.

This set the stage in 1944 for the highly controversial *Mercoïd* cases: *Mercoïd Corp. v. Mid-Continent Investment Co.*<sup>152</sup> (*Mercoïd I*) and *Mercoïd Corp. v. Minneapolis-Honeywell Regulator Co.*<sup>153</sup> (*Mercoïd II*). The patent in question in *Mercoïd I* was a combination patent on a heating system which included a "stoker switch," that had no other use but in the patented system. The patent was exclusively licensed, with the exclusive licensee paying royalties on the basis of the number of stoker switches installed in patented heating systems. The licensee sold only the stoker switches, not the entire heating system. In its advertising, the exclusive licensee stated that the right to use the patented system was "only granted to the user" on condition that the stoker switch was purchased from the licensee. An action was brought against *Mercoïd* for contributory infringement by the patent owner, with the exclusive licensee being brought in as party plaintiff. The Supreme Court found that the patent on the heating system was being misused to extend the monopoly to the unpatented stoker switches. As stated by Mr. Justice Douglas for the majority in *Mercoïd I*:

"The instant case is a graphic illustration of the evils of an expansion of the patent monopoly by private engagements. The patent in question embraces furnace assemblies which neither the patentee nor the licensee makes or vends. The struggle is not over a combination patent and the right to make or vend it. The contest is solely over unpatented wares which go into the patented product. . . . The patent is employed to protect the market for a device in which no patent has been granted. But for the patent, such restraint on trade would plainly run afoul of the anti-trust laws."<sup>154</sup>

The considerable breadth of this decision perhaps can be appreciated in that: (1) the accused contributory infringer had refused the offer of a license under the patent, and (2) the stoker switch being sold was a non-staple having no other use but in infringing the combi-

<sup>149</sup> 314 U.S. 661, 60 U.S.P.Q. 21 (1944).

<sup>150</sup> 314 U.S. 680, 60 U.S.P.Q. 30 (1944). In *Mercoïd II*, the patent was owned by Minneapolis-Honeywell and covered a furnace control system. The patent owner licensed others to make, use and sell an unpatented thermostatic switch whose only use was in the patented system. The Court concluded:

"The fact that an unpatented part of a combination may distinguish the invention does not draw to it the privileges of a patent. . . . For the reasons stated in [*Mercoïd I*], the effort here made to control competition in this unpatented device plainly violates the anti-trust laws, even apart from the price-fixing provisions of the license agreements."

320 U.S. at 684, 60 U.S.P.Q. at p. 32.

<sup>154</sup> 320 U.S. at 666-7, 60 U.S.P.Q. at 25. Cf., *Electric Pipe Line, Inc. v. Fluid Systems, Inc.*, 231 F.2d 370, 109 U.S.P.Q. 24 (2d Cir. 1956) (not misuse for patent owner to require the purchase of parts from him when he designs the system and guarantees its performance).

<sup>149</sup> 314 U.S. at 492, 52 U.S.P.Q. at 32.

<sup>150</sup> 314 U.S. at 493, 52 U.S.P.Q. at 33.

<sup>151</sup> 314 U.S. 495, 52 U.S.P.Q. 33 (1942).

nation patent. Hence, the import of Mr. Justice Douglas' famous dictum:

"The result of this decision, together with those which have preceded it, is to limit substantially the doctrine of contributory infringement. What residuum may be left we need not stop to consider."<sup>155</sup>

In the wake of the *Mercoïd* decisions, the courts did experience some difficulty in ascertaining what residuum remained of the doctrine of contributory infringement.<sup>156</sup> One district court,<sup>157</sup> in fact, held that the mere filing of an action for contributory infringement resulted in patent misuse and dismissed the case.

The enactment of Section 271 in 1952 put the matter to rest, at least as far as concerned the broad implications of *Mercoïd*. As stated by the Supreme Court in the *Aro II* case:

"[C]ongress enacted § 271 for the express purpose of reinstating the doctrine of contributory infringement as it has been developed by decisions prior to *Mercoïd*, and of overruling any blanket invalidation of this doctrine that could be found in the *Mercoïd* opinions."<sup>158</sup>

Paragraph (c), in particular, has direct applicability to the *Mercoïd* situation, where the article being sold by the accused contributory infringer is a non-staple article of commerce having no substantial non-infringing use. Paragraph (d) of Section 271 complements this by providing express limitations on the patent misuse doctrine:

"(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the

patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement."

Paragraph (d) is drafted as an exception to the general applicability of the patent misuse doctrine and exempts a patent owner "otherwise entitled to relief for infringement or contributory infringement" in three circumstances. The first exempts the patent owner who derives revenues from acts that would constitute contributory infringement if performed by another. In the factual context of *Mercoïd*, this would enable the patent owner or licensee to sell stoker switches for use in the patented combination without being held to misuse the patent. The second exception is that the patent owner may license others to perform acts which would otherwise constitute contributory infringement. Hence, in *Mercoïd*, third parties could be licensed to manufacture and sell stoker switches for incorporation into the patented system. The third exception is that the patent owner may seek to enforce his patent against direct and contributory infringement without being *ipso facto* guilty of patent misuse. This would cover an overzealous application of the patent misuse doctrine<sup>159</sup> as occurred immediately after the *Mercoïd* decisions.

The Supreme Court had occasion to construe Section 271(c) in the *Aro I* and *Aro II* decisions, discussed *supra*; however, it was not until June 1980 in *Dawson Chemical Co. v. Rohm & Haas Co.*<sup>160</sup> that paragraph (d) was directly called into issue—in particular, its effect upon the *Mercoïd* decisions.

The patent in the *Dawson* case covered a method of controlling weeds in rice fields. This method consisted of applying an unpatented chemical compound (propanil) to the field at a rate of application which inhibited the growth of the undesired weeds without adversely affecting the growth of the rice. The patent owner (Rohm & Haas) sold propanil to consumers with an implied license to use the patented method. The defendant (Dawson) also manufactured and sold propanil with instructions on how to apply it to fields, which when so applied by the consumer would infringe the patented method. Ironically, the patent on propanil itself had been declared invalid in *Monsanto Co. v. Rohm & Haas Co.*,<sup>161</sup> when Monsanto tried to enforce it against Rohm & Haas. One of the grounds for invalidation was that propanil lacked novelty. Thus, propanil itself was in the public domain; however, Rohm & Haas had discovered a new use for the unpatentable chemical, namely, using it to control weeds in rice fields. The District Court<sup>162</sup> granted a summary judgment in favor of the defendant Dawson, holding that Rohm & Haas had misused the patent. This decision was reversed by the Court of Appeals for the Fifth Circuit.<sup>163</sup> The U.S. Supreme Court, in a 5-4 decision, affirmed the Court of Appeals.

<sup>155</sup> 320 U.S. at 669, 60 U.S.P.Q. at 26.

<sup>156</sup> Questioning the continued viability of the doctrine in view of the *Mercoïd* cases: see *Gray Tool Co. v. Humble Oil & Refining Co.*, 185 F.2d 407, 88 U.S.P.Q. 165 (5th Cir. 1951) (dicta); *Stokes & Smith Co. v. Transparent Wrap Machine Corp.*, 156 F.2d 198, 69 U.S.P.Q. 278 (2d Cir. 1946) (misuse to require grant-back of licensee's improvement patents); *Landis Machine Co. v. Class Tool Co., Inc.*, 141 F.2d 800, 61 U.S.P.Q. 164 (6th Cir. 1944) (relying on other established grounds to avoid implications of *Mercoïd*). But cf., maintaining contributory infringement had not been totally precluded under the *Mercoïd* cases: *Jordan v. Hemphill Co.*, 180 F.2d 457, 84 U.S.P.Q. 398 (4th Cir. 1950) (follows *Florence-Mayo NuWay Co. v. Hardy*, *infra*); *Harris v. National Machine Works, Inc.*, 171 F.2d 85, 79 U.S.P.Q. 320 (10th Cir. 1948) (finding contributory infringement by selling repair units); *Florence-Mayo NuWay Co. v. Hardy*, 168 F.2d 778, 785, 77 U.S.P.Q. 439, 444 (4th Cir. 1948): "The case is one where plaintiff is using his patent not to monopolize the sale of what is not patented but to prevent defendants from aiding others to infringe what is patented."; *Detroit Lubricator Co. v. Toussant*, 57 F.Supp. 837, 63 U.S.P.Q. 139 (N.D.111, 1944) (denied motion to dismiss claim of contributory infringement). There has been extensive critical comment on the *Mercoïd* cases. See, e.g., Wood, "The Tangle of *Mercoïd* Case Implications," 13 *Geo. Wash. L. Rev.* 61 (1944); Waite, "Judicial Legislation—Patent Law—Has the Doctrine of Contributory Infringement Been Repudiated?," 42 *Mich. L. Rev.* 915 (1944); Mathews, "Contributory Infringement and the *Mercoïd* Case," 27 *J. Pat. Off. Soc'y* 260 (1945); Palmer, "Contributory Infringement Since the *Mercoïd* Cases," 15 *Geo. Wash. L. Rev.* 463 (1947); Rich, "Misuse—a New Frontier," 34 *J. Pat. Off. Soc'y* 391 (1952); Scafetta, "Ten Years After *Aro II*: The Effect of Patent Act Section 271 on the Patent Misuse Doctrine," 58 *J. Pat. Off. Soc'y* 69 (1976).

<sup>157</sup> *Stroco Products, Inc. v. Mullenbach*, 67 U.S.P.Q. 168 (S.D.Cal. 1944).

<sup>158</sup> 377 U.S. at 492, 141 U.S.P.Q. at 688.

<sup>159</sup> *Stroco Products, Inc. v. Mullenbach*, *supra* n. 157.

<sup>160</sup> 100 S.Ct. 2601, 206 U.S.P.Q. 385 (1980).

<sup>161</sup> 456 F.2d 592, 172 U.S.P.Q. 323 (3d Cir. 1972), *cert. denied*, 407 U.S. 934, 174 U.S.P.Q. 129 (1972).

<sup>162</sup> 191 U.S.P.Q. 691 (S.D.Tex. 1976).

<sup>163</sup> 599 F.2d 685, 203 U.S.P.Q. 1 (5th Cir. 1979).

The majority of the Supreme Court found that the legislative history of the Patent Act fully supports the conclusion that "by enacting sections (c) and (d), Congress granted to patent holders a statutory right to control non-staple goods that are capable only of infringing use in a patented invention, and that are essential to that invention's advance over prior art."<sup>164</sup> In the majority's opinion the patent owner had done exactly that which was permitted under paragraph (d): (1) it had derived revenue by selling propanil; (2) it had granted implied licenses to purchasers to use the patented invention; and (3) it had brought suit against the person alleged to be contributorily infringing the patent under paragraph (c). The majority did not consider it significant that the patent owner performed both (1) and (2) of paragraph (d) by the same act, namely, selling propanil which derived revenue and also granting an implied license to purchasers to use it in the patented method. According to the majority, the patent owner was not required to offer licenses to other manufacturers of propanil to avoid patent misuse, since this would amount to compulsory licensing, which has been rejected by Congress.

Even though the majority stated that its task was one of statutory construction and that policy issues should not be determinative of the outcome, it went on to state:

"And the doctrine of contributory infringement which has been called 'an expression both of laws and morals,' *Mercoid* 1, ... can be of crucial importance in assuring that the endeavors and investments of the inventor do not go unrewarded."<sup>165</sup>

Among the policy considerations offered by the majority was that some incentive should be provided to find new uses for millions of known chemicals. In addition, if an enterprise could wait until the new use was found and then demand a license to sell the chemical for the new use, at the risk of the patent owner's being held guilty of patent misuse, "The incentive to await the discoveries of others might well prove sweeter than the incentive to take the initiative oneself."<sup>166</sup>

In reaching the opposite conclusion, the minority maintained that, presuming paragraph (d) had been intended to overturn the *Mercoid* decisions, the conduct of the patent owner in this case would have constituted patent misuse, even prior to *Mercoid*, on the basis of *B. B. Chemical Co. v. Ellis*.<sup>167</sup> In its opinion, a balance should be struck between free competition in unpatented articles and the rights of the patent owner: the patent owner should be required to grant a license to competing sellers of the non-staple or otherwise be held guilty of patent misuse. This solution would not entirely deprive the patent owner of the benefits and incentives under the patent, since he could derive revenue from the licensing of the patent and, on the other side of the balance, competition could be maintained with regard to the unpatented product.

In sum, the result of the *Dawson* decision permitting a patent owner to appropriate the market in unpatented non-staples used in his invention will significantly increase the value of his patent. Moreover, and perhaps of more significance in the long run, is the very positive language of the majority in stressing the need for providing incentives to inventors; this may be an important indication of the changing attitude of the Supreme Court toward patents in general. By implication at least, the rather negative assertion in *Deepsouth Packing Co. v. The Laitram Corp.* that only a "clear and certain signal from Congress"<sup>168</sup> should be the test for extending patent protection may no longer be applicable. In addition, this changing attitude is evidenced by *Diamond v. Chakrabarty*,<sup>169</sup> decided in the same term as *Dawson*, holding that microorganisms, *per se*, are patentable, even though they constitute living matter.

In the light of the *Dawson* case increased litigation on the basis of contributory infringement may be expected, and a further refinement of the balance between contributory infringement and patent misuse will be struck. This process has already begun. Prior to the Supreme Court's handing down the decision in *Dawson Chemical Co. v. Rohm & Haas Co.*, a District Court<sup>170</sup> extended the reasoning of the Fifth Circuit Court of Appeals in the *Dawson* case and concluded that the enactment of Section 271(d) not only overruled the *Mercoid* case but also returned the law to *Leeds & Catlin Co. v. Victor Talking Machine Co. (No. 2)*, decided in 1909.

## V. Extra-Territorial Effects of Contributory Infringement

It is axiomatic that exclusive rights granted under a patent of a given country extend only as far as the jurisdictional limits of the granting country. In the U.S. Patent Act this fundamental limitation is specifically set forth in Section 271(a) providing that "... whoever without authority makes, uses or sells any patented invention, *within the United States*..., infringes the patent" (emphasis added). However, the phrase "within the United States" does not appear in either paragraph (b) or (c) of Section 271. Assuming that direct infringement occurs within the United States, should a person be held liable as a contributory infringer under Section 271(b) for conduct committed *outside of the United States* which has actively induced the direct infringement of a U.S. patent, or under Section 271(c) for the sale *outside of the United States* of a non-

<sup>164</sup> 406 U.S. at 530, 173 U.S.P.Q. at 769.

<sup>165</sup> 100 S.Ct. 2204, 206 U.S.P.Q. 193 (1980).

<sup>170</sup> In *Entec Plastics Engineering Corp. v. Gates Rubber Co.*, 206 U.S.P.Q. 524 (D.Colo. 1980), the seller of a non-staple cassette was held to contributorily infringe a combination claim consisting of the tape player and the cassette.

<sup>164</sup> 100 S.Ct. at 2622, 206 U.S.P.Q. at 403.

<sup>165</sup> 100 S.Ct. at 2625, 206 U.S.P.Q. at 407.

<sup>166</sup> 100 S.Ct. at 2626, 206 U.S.P.Q. at 407.

<sup>167</sup> *Supra* n. 151.

staple article with the knowledge that it was to be used in the direct infringement of a U.S. patent?

The extra-territorial application of Section 271(b) and (c) has been raised in a number of cases before U.S. federal courts on the question of whether the court had jurisdiction over a foreign defendant accused of extra-territorial acts which resulted in direct infringement in the United States.<sup>171</sup> *In personam* jurisdiction over the foreign defendant is based upon state "long-arm" statutes<sup>172</sup> which have been enacted by the various states of the United States. A federal court sitting within a given state is authorized to rely upon that state's "long-arm" statute.<sup>173</sup> Such "long-arm" statutes authorize a court (state or federal) to obtain *in personam* jurisdiction over any person who has sufficient contacts with the state to satisfy the basic fairness requirement under the Due Process Clause of the Fifth or Fourteenth Amendments of the U.S. Constitution. The constitutional standard was established by the Supreme Court in *International Shoe Co. v. Washington*:<sup>174</sup>

"Due process requires that only in order to subject a defendant to a judgment *in personam*, if he be not present within the territory of the forum, he has certain minimum contacts with it such as the maintenance of the suit does not offend traditional notions of fair play and substantial justice."<sup>175</sup>

"Long-arm" statutes commonly grant jurisdiction over any person who has committed a "tortious act" within the state. Since both direct infringement and contributory infringement are torts, they would fall within the broad definition provided within the "long-arm" statutes.

In the leading case of *Honeywell, Inc. v. Metz Apparatwerke*<sup>176</sup> the Court of Appeals for the Seventh Circuit was presented with the question of whether a federal district court sitting in Illinois had *in personam* jurisdiction, under the Illinois "long-arm" statute,<sup>177</sup>

over a foreign enterprise for acts performed outside of the United States which were alleged to have induced direct infringement in Illinois in violation of Section 271(b). The Illinois statute provided "long-arm" jurisdiction on the basis of any "tortious act"<sup>178</sup> committed within Illinois. In this case, after negotiations had broken down over the obtaining of a license under Honeywell patents, Metz (a manufacturer of photographic products in the Federal Republic of Germany) proceeded to appoint an exclusive distributor in the United States for the distribution of its products that were alleged to infringe Honeywell patents. The distributor sold in Illinois Metz products that had been purchased from Metz in the Federal Republic of Germany. Honeywell filed suit in a district court in Illinois. *In personam* jurisdiction over Metz was sustained by the Court of Appeals, holding that Metz had sufficient contacts with the State of Illinois to meet the constitutional standard. Sufficient contacts were shown in that Metz, with full knowledge of the Honeywell patents, proceeded to sell the allegedly infringing products to its distributor in Illinois and to derive revenue from those sales.<sup>179</sup>

Contributory infringement under Section 271(c) can also be found when the article sold abroad constitutes a component of a patented invention having no substantial non-infringing use and the foreign seller knows that the non-staple component is to be used in infringing a U.S. patent. In *Engineered Sports Products, Inc. v. Brunswick Corp.*,<sup>180</sup> the sale abroad of outer ski boots, which were shipped into the United States and then fitted with inner boots according to a patented injection molding process, was held by a district court to be sufficient to impose *in personam* jurisdiction<sup>181</sup> over the foreign sellers of the outer ski boots. The foreign

<sup>171</sup> For a more detailed study of this question, see Neagley, "In Personam Jurisdiction over Foreign Inducers of Infringement," 58 J. Pat. Off. Soc'y 712 (1976).

<sup>172</sup> An example of a state "long-arm" statute is quoted in n. 177, *infra*.

<sup>173</sup> The Federal Rules of Civil Procedure provide under Rule 4(c) that unless there is governing federal legislation, a federal court must refer to the statutes and rules of the state in which the federal court is sitting with regard to out-of-state service of process on foreign parties.

<sup>174</sup> 362 U.S. 310 (1945).

<sup>175</sup> *Id.* at 316.

<sup>176</sup> 509 F.2d 1137, 184 U.S.P.Q. 387 (7th Cir. 1975).

<sup>177</sup> Section 17 provides:

"Act submitting to jurisdiction—Process.

"(1) Any person, whether or not a citizen or resident of this State, who in person or through an agent does any of the acts hereinafter enumerated, thereby submits such person, and, if an individual, his personal representative, to the jurisdiction of the courts of this State as to any cause of action arising from the doing of any of such acts:

- (a) The transaction of any business within this State;
- (b) The commission of a tortious act within this State;
- (c) The ownership, use or possession of any real estate situated in this State;
- (d) Contracting to insure any person, property or risk located within this State at the time of contracting;
- (e) With respect to actions of divorce and separate maintenance, the maintenance in this State of a matrimonial domicile at the time the cause of action arose or the commission in this State of any act giving rise to the cause of action.

"(2) Service of process upon any person who is subject to the jurisdiction of the courts of this State, as provided in this Section, may be made by personally serving the summons upon the defendant outside this State, as provided in this Act, with the same force and effect as though summons had been personally served within this State.

"(3) Only causes of action arising from acts enumerated herein may be asserted against a defendant in an action in which jurisdiction over him is based upon this Section.

"(4) Nothing herein contained limits or affects the right to serve any process in any other manner now or hereafter provided by law."

Ill. Rev. Stat., ch. 110 (1979).

<sup>178</sup> "The commission of a tortious act within this State." *Id.* Section 17(1)(b).

<sup>179</sup> *Cf. Marston v. Gant*, 351 F.Supp. 1124, 176 U.S.P.Q. 180 (E.D. Va. 1972), where there was no showing of affirmative conduct to establish active inducement under Section 271(b). Also under the Virginia "long-arm" statute, for jurisdiction to be applied with regard to an act outside of the state, the party must regularly solicit or do business within the state or derive substantial revenue from goods or services within the state. *But see, Olin Matheson Chemical Corp. v. Molins Organizations, Ltd.*, 261 F.Supp. 436, 152 U.S.P.Q. 63 (E.D. Va. 1966); and *Hausi Werke Koerber & Co., KG. v. Molins Ltd.*, 183 U.S.P.Q. 168 (E.D. Va. 1974), where defendants had sufficient contacts with Virginia to sustain jurisdiction.

<sup>180</sup> 362 F.Supp. 722, 179 U.S.P.Q. 486 (D.Utah 1973).

<sup>181</sup> The Utah "long-arm" statute provided extra-territorial jurisdiction with regard to: "The causing of any injury in this state whether tortious or by breach of warranty." Utah Code Ann. Section 78-27-24(3)(1953).

sellers had knowledge of the U.S. patent and of the fact that the external ski boots were especially adapted for having the inner boots injected into them by the patented process.

The Supreme Court has not spoken directly on the issue of the extra-territorial application of paragraphs (b) and (c) of Section 271. However, in the context of a product liability case, it recently stated in *World-Wide Volkswagen Corp. v. Woodson*:<sup>182</sup>

"The forum state does not exceed its powers under the Due Process Clause if it asserts personal jurisdiction over a corporation that delivers its products into the stream of commerce with the expectation that they will be purchased by consumers in the forum state."<sup>183</sup>

A serious question may be raised as to the international enforceability of a money judgment<sup>184</sup> against a foreign defendant on the grounds that the U.S. court was acting in excess of its jurisdiction or in violation of international comity.<sup>185</sup> However, the foreign defendant may have assets within the United States upon which the patent owner could execute. Also, the patent owner may obtain injunctive relief<sup>186</sup> against the foreign defendant, precluding him from importing infringing devices either directly or through agents in the United States.

In the light of such cases, it thus becomes important that foreign enterprises—even those who never enter the United States—appreciate their potential liability as contributory infringers under Section 271(b) or (c) as the result of conduct performed outside the territorial limits of the United States.<sup>187</sup>

## VI. Contributory Infringement in the European Economic Community

The doctrine of contributory infringement has been adopted in the Community Patent Convention.<sup>188</sup> Article 30, entitled "Prohibition of indirect use of the invention," provides in its first two paragraphs as follows:

"1. A Community patent shall also confer on its proprietor the right to prevent all third parties not having his consent from supplying or offering to supply within the territories of the Contracting States a person, other than a party entitled to exploit the patented invention, with means, relating to an essential element of that invention, for putting it into effect therein, when the third party knows, or it is obvious in the circumstances, that these means are suitable and intended for putting that invention into effect.

"2. Paragraph 1 shall not apply when the means are staple commercial products, except when the third party induces the person supplied to commit acts prohibited by Article 29."

The new Patents Act of the United Kingdom (1977) also implements the doctrine of contributory infringement in Section 60(2) and (3),<sup>189</sup> thus making contributory infringement a basis for liability for the first time in that country.

The language used in the Community Patent Convention and the United Kingdom Patents Act bears a striking resemblance to that of Section 271(b) and (c) of the U.S. Patent Act, and the requirements imposed appear to be substantially identical. The two basic categories of contributory infringement have been adopted, viz., (1) inducement, which may occur even though the article supplied is a staple, and (2) supplying a non-staple with the knowledge that it is suitable for infringement.

There are, however, several differences between the doctrine as formulated in the Community Patent Convention and the United Kingdom Act and that of the U.S. statute; these differences may affect the results in individual cases. For instance, under Article 30.1 of the Community Patent Convention (Section 60(2) of the United Kingdom Act), the proscribed contributing acts include not only the actual supply of means for in-

<sup>182</sup> 100 S.Ct. 559 (1980).

<sup>183</sup> *Id.* at 567.

<sup>184</sup> Section 284 of the Patent Act entitled "Damages" provides:

"Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

"When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

"The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances."

<sup>185</sup> See, *Engineered Sports Products, Inc. v. Brunswick Corp.*, *supra* n. 180, 362 F.Supp. at 729, 179 U.S.P.Q. at 490.

<sup>186</sup> Section 283 of the Patent Act entitled "Injunctions" provides:

"The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable."

<sup>187</sup> The foreign defendant, moreover, may be sued in any district court in the U.S. *Brunette Machine Works v. Kuckum Industries*, 406 U.S. 706, 174 U.S.P.Q. 1 (1972); see 28 U.S.C. Section 1391(d), which provides: "An alien may be sued in any district." However, a domestic defendant may only be sued in a district where he resides or has committed acts of infringement and has a place of business. 28 U.S.C. Section 1400(b). On the other hand, the foreign defendant may take advantage of the extra-territorial application of Section 271(b) or (c) to bring a declaratory judgment to have a patent declared invalid without even having made a sale in the United States. *I.C.E. Corp. v. Armco Steel Corp.*, 201 F.Supp. 411, 132 U.S.P.Q. 256 (S.D.N.Y. 1960).

<sup>188</sup> Convention for the European patent for the common market of December 15, 1975, signed on that date in Luxembourg. The Convention has not yet entered into force. *Industrial Property Laws and Treaties*, MULTILATERAL TREATIES—Text 2-001.

<sup>189</sup> United Kingdom Patents Act 1977, *Industrial Property Laws and Treaties*, UNITED KINGDOM—Text 2-001. This Act entered into force on June 1, 1978. Section 60(2) and (3) provides:

"(2) Subject to the following provisions of this section, a person (other than the proprietor of the patent) also infringes a patent for an invention if, while the patent is in force and without the consent of the proprietor, he supplies or offers to supply in the United Kingdom a person other than a licensee or other person entitled to work the invention with any of the means, relating to an essential element of the invention, for putting the invention into effect when he knows, or it is obvious to a reasonable person in the circumstances, that those means are suitable for putting, and are intended to put, the invention into effect in the United Kingdom.

"(3) Subsection (2) above shall not apply to the supply or offer of a staple commercial product unless the supply or the offer is made for the purpose of inducing the person supplied or, as the case may be, the person to whom the offer is made to do an act which constitutes an infringement of the patent by virtue of subsection (1) above."

fringement but also the *offering* of such means. As already discussed, a basic requirement in the United States for a finding of contributory infringement is that direct infringement has occurred as a result of the supply of the article in question. Under the Community and United Kingdom provisions, it would appear that the actual occurrence of direct infringement may not be a mandatory requirement for a holding of contributory infringement if the patent owner need merely show the offering of the means for infringement. Of course, a distinction may be drawn between the granting of money damages for contributory infringement and the granting of an injunction against the continued offering of the means which would result in the future infringement of the patent.<sup>190</sup>

A further distinction is that the Community and United Kingdom provisions would include, in addition to those suppliers of non-staples who know of the infringing use, those suppliers to whom "it is obvious in the circumstances" that the means are "suitable and intended" for infringing the patent. The United Kingdom provision uses the standard common law formulation: "obvious to a reasonable person in the circumstances." In the *Aro II*<sup>191</sup> decision, the U.S. Supreme Court limited the applicability of the knowledge requirement in Section 271(c) to the supplier who has *actual* knowledge that the combination for which the non-staple was supplied was "both patented and infringing."

Another distinction between the Community and United Kingdom provisions and those of the United States is with regard to contributory infringement by inducement. The Community Patent Convention, in Article 30.2, limits inducement to the single act of *supplying* the staple by the language "induces the person supplied." The United Kingdom Act seems to extend this *somewhat* to include "offers to supply." As already discussed,<sup>192</sup> the active inducement under Section 271(b) is not limited to the transaction of supplying staples, but encompasses many other types of acts of active inducement.

Considering only the express language of the contributory infringement provisions of the Community Patent Convention and the United Kingdom Act,<sup>193</sup> a difference appears with regard to the extra-territorial application of the doctrine of contributory infringement. Paragraph 1 of Article 30 of the Community Patent Convention confers upon the patent owner the right to exclude unauthorized persons "from supplying or offering to supply *within the territories of the Contracting States*" (emphasis added). Paragraph 2 of Article 30 of

the Community Patent Convention is tied in to paragraph 1 and excludes "staple commercial products" from the application of paragraph 1 except when the supplied party has been induced. Presumably the supply must occur "within the territories of the Contracting States." The United Kingdom provision is drafted analogously to proscribe the contributory infringement in terms of supplying or offering to supply "in the United Kingdom" (Section 60(2)). As discussed above,<sup>194</sup> since neither paragraph (b) nor (c) of Section 271 includes the language "within the U.S.," courts in the United States have extended the reaches of these paragraphs to find jurisdiction over alleged contributory infringers who have committed acts outside the territorial limits of the United States.

Nonetheless, whatever differences may exist in the formulation of the doctrine of contributory infringement under the Community Patent Convention and the United Kingdom Act on the one hand and the U.S. Patent Act on the other, these differences seem greatly overshadowed by the conceptual similarities.

It must be borne in mind that the adoption of the doctrine of contributory infringement raises the specter of patent misuse and the antithetical foundations of these concepts. The European Economic Community has sought to prevent restrictions or distortions on competition in the Common Market;<sup>195</sup> in particular, patent license agreements have been subjected to regulation.<sup>196</sup> An example of domestic regulation of restrictive terms in supply or licensing contracts is found in the new United Kingdom Patents Act.<sup>197</sup> The proper balance between the rights of the patent owner under the doctrine of contributory infringement and the public interest in freedom from restrictive business practices will have to be worked out in the future. A detailed consideration of this problem is beyond the scope of this study; however, the recent opinion by the Supreme Court in *Dawson Chemical Co. v. Rohm & Haas Co.*<sup>198</sup> may provide valuable insight into the competing considerations involved.

In the near future it may be anticipated that the doctrine of contributory infringement will become increasingly important to patent owners upon the entry into force of the Community Patent Convention and with the implementation or adoption of the doctrine by the various Community countries and others. In this regard, the jurisprudence of the United States, which has evolved over more than one hundred years, should prove to be of valuable assistance in understanding the theoretical basis, requirements for application and the limitations of the doctrine.

<sup>190</sup> See, e.g., *Graham Paper Co. v. International Paper Co.*, 46 F.2d 881, 8 U.S.P.Q. 463 (8th Cir. 1931).

<sup>191</sup> 377 U.S. 476, 141 U.S.P.Q. 681 (1964). See discussion *supra* in Part II.B(c).

<sup>192</sup> See discussion in Part II.B(b)(3)-(7).

<sup>193</sup> This qualification is made to avoid the conclusion, even by implication, that if the language of territorial limitation did not appear in the provisions of the Community Patent Convention or the United Kingdom Act, these provisions would or should be given extra-territorial application.

<sup>194</sup> See Part V, *supra*.

<sup>195</sup> E.E.C. Treaty, Art. 85.

<sup>196</sup> Official Notice on Patent Licensing Agreements, issued by the Commission of the European Communities, *Official Journal*, No. 139, December 24, 1962.

<sup>197</sup> Section 44.

<sup>198</sup> 100 S.Ct. 2601, 206 U.S.P.Q. 385 (1980).

## VII. Conclusion

The doctrine of contributory infringement provides a patent owner with important substantive rights and procedural advantages. Substantively, the patent owner's exclusive right extends not only to the invention *per se*, but also to non-staple components of the complete invention when sold by another with the knowledge of their intended use in infringing the patent. Moreover, the patent owner may exclude others from actively inducing the direct infringement of his patent, including the right to exclude even the sale of staple articles if the seller induces the sale for the purpose of infringing the patent. Thus, the exclusive patent right encompasses the acts of making, using and selling the patented invention and, in addition, contributing to those acts.

Procedurally, the patent owner can take legal action against contributory infringers who themselves do not directly infringe the patent by making, using or selling the patented invention, but who do contribute to that direct infringement. The ability to proceed against contributory infringers may be the patent owner's only effective means for enforcing his patent; because there may be numerous direct infringers, it may be difficult to obtain jurisdiction over them, and individually they may be subject only to minimal damages for direct infringement.

The antithesis of the doctrine of contributory infringement is the doctrine of patent misuse. The public interest in ensuring free competition in unpatented articles is balanced against the public interest in providing incentives through a patent system for promoting inventive activity in the country. The Supreme Court's decision in *Dawson Chemical Co. v. Rohm & Haas Co.*<sup>199</sup> has clearly returned the balance in favor of the patent system in the United States.

In the European Economic Community, the inclusion of provisions on contributory infringement in the Community Patent Convention and in the new United Kingdom Patents Act indicates an increased awareness of the importance of the doctrine to a patent system. One would expect that other countries, in the near future, will be giving careful consideration to the doctrine of contributory infringement for potential adoption.

With regard to developing countries, the WIPO Model Law for Developing Countries on Inventions takes no position on whether or not developing countries should adopt contributory infringement as part of their national legislation.<sup>200</sup> It is hoped that the present study will provide some insight into how the doctrine of contributory infringement has evolved in the United States and provide some perspective as to its advantages and limitations. Due to the widely varying social and economic conditions in developing countries, it seems necessary that each country analyze the applicability of the doctrine to its particular circumstances.

The doctrine of contributory infringement will, of course, continue to evolve in the United States. Although the *Dawson* case appears to have eliminated the "weeds" of *Mercoïd*,<sup>201</sup> it now remains for the courts—on a case-by-case basis—to redefine the limits of the patent owner's rights afforded under the doctrine of contributory infringement.

<sup>201</sup> *Supra* nn. 152, 153.

## The Center for the International Study of Industrial Property (CEIPI)

J. J. BURST\*

The Center for the International Study of Industrial Property (*Centre d'études internationales de la propriété industrielle (CEIPI)*) was founded in 1964 on the initiative of the University of Strasbourg and of industry.

Its creation responded to a need felt in all the circles concerned, namely for the organization of courses in industrial property at the highest level.

The international vocation of industrial property law led the founders of CEIPI to concern themselves from the outset with the teaching of foreign legal systems.

The considerable development of intellectual rights since the creation of the Center, the conclusion of international conventions (Munich Convention on the European Patent, Luxembourg Convention on the Community Patent, Patent Cooperation Treaty), European projects for trademarks and designs and the development of international technology transfer have since led CEIPI to broaden the scope of its courses.

At the same time it has become clear that the courses should be "fed" by the organization of research operations, which are inseparable from the work of the University.

This is why, today, both the structures and the functions of CEIPI are designed in relation to three types of activity, which correspond to its own three component sections, namely:

(i) a "French" section, which provides French industrial property courses;

(ii) an "international" section, which organizes international courses;

(iii) a "research" section, which devises and coordinates research programs concerning industrial property law.

### I. The French Industrial Property Section (SEFPI)

The French Section is responsible for contributing to the training of industrial property specialists who oper-

<sup>199</sup> *Supra* n. 160.

<sup>200</sup> *WIPO Model Law for Developing Countries on Inventions*, Commentary, Section 135, paragraph e at 84 (1979).

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ate in national or international organizations, in industry and in patent attorneys' offices; moreover, it prepares candidates for the qualifying examinations affording access to the profession of patent attorney, as the CEIPI diploma is required of candidates for those examinations.

The courses of the French Section are divided into two branches: on the one hand, there are those leading to the International Patent Studies Diploma and, on the other, those leading to the International Trademark and Industrial Design Studies Diploma.

### 1. Courses Leading to the International Patent Studies Diploma

*Duration.* CEIPI organizes two different types of course, one called the "long" course and the other called the "rapid" course.

The duration of the long course corresponds approximately to a university year. However, any person who wishes to take both the International Patent Studies Diploma course and the International Trademark and Industrial Design Studies Diploma course at the same time has to take part in all five teaching "modules," the duration of which is from October 15 to June 20.

The duration of the rapid course is split into three two-week periods.

*Admission to the Center.* Admission to the Center is pronounced on merit by the Bureau of the Administrative Council, due account being taken of the candidate's qualifications and duties either currently or previously performed.

Candidates have to hold one of the diplomas referred to in the Order of January 8, 1968 (*Journal officiel*, January 20, 1968).<sup>1</sup>

The Bureau of the Administrative Council may also pronounce the admission on merit of candidates who do not hold one of the diplomas referred to above, but who provide evidence of duties currently or previously performed constituting sufficient professional industrial property training in France or abroad.

As a subsidiary arrangement, and subject to the availability of places, access to the Center is open to holders of a law mastership, an economics mastership or a legal, economics or business qualification considered by the Bureau of the Administrative Council to be of equivalent level for the purposes of study at the Center.

Participants in the courses may be foreign as well as French.

Participants in the courses have to have a sufficient knowledge of English or German to understand readily a technical text in one of those languages on the subject in which they are specializing, and preferably to be able to carry on a discussion or even draft material in one of them. Any candidate is liable to be called upon to undergo a test to determine his language proficiency.

The Center may also admit auditors, either French or foreign, who are not working for a diploma from the Center.

On the other hand, admission to the rapid course is reserved for those who already have practical experience in industrial property and who, for professional reasons, cannot take the long course. The rapid course is organized only insofar as the number of candidates justifies holding it.

The rapid course is no more than a particular method of receiving the teaching of the French Section. In order to be awarded the CEIPI diploma, participants in the rapid course are obliged to undergo the same examinations as are organized for students taking the long course.

The rapid course is open to candidates who:

(a) meet the conditions for admission specified above;

(b) provide proof of at least three years' experience of industrial property practice on the date of the start of the rapid course, constituted by regular employment in a patent attorney's office or industrial property department, or by an activity considered by the Bureau of the Administrative Council to be equivalent. This practice has to be documented by a certificate from the employer, which must also include an evaluation, with reasons, of the qualifications of the candidate (work performed, responsibilities assumed, etc.);

(c) take an entrance examination to determine their knowledge;

(d) pay the special fees for the rapid course.

Applications for the rapid course are received up to August 1 of each year; in addition to the certificate referred to above, they require the preparation of the customary CEIPI registration file (curriculum vitae, photocopies of university diplomas, civil status card, two identity photographs).

CEIPI informs each candidate in good time whether a rapid course is being organized and whether he has been admitted to it.

Applicants for the rapid course have to pass an entrance examination the purpose of which is to determine their knowledge. The examination takes place in Strasbourg in September, and is intended to ensure that the candidate already has sufficient knowledge of industrial property to assimilate the program of the normal course by way of the rapid method and that he will have a reasonable chance of passing the final examination, which is common to both systems.

The entrance examination includes: (i) a written, non-eliminatory test on patents (patentability, drafting of a patent); and (ii) three oral tests on patents (grant of patents in prior examination countries, acquisition of patent rights, patentability and infringement, and license agreements).

<sup>1</sup> Extract from the Order of January 8, 1968:

"1. The list of diplomas and schools provided for in Section 3(2) of the Decree of October 29, 1965, in relation to the shortening of the duration of training or collaboration referred to in that Section is fixed as follows:

science degree, mastership in science faculties, pharmacy diploma, doctorate of medicine, veterinary doctorate;

French and foreign schools granting technical diplomas, issuing the certificates of higher science studies required of candidates for the technical doctorate, included in Section 3 of Decree No. 48-479 of March 19, 1948, as amended."

*Diploma.* A "Diploma of International Patent Studies" is awarded in the name and under the seal of the University of Strasbourg after the examination has been passed.

## 2. *Course Leading to the Diploma of International Trademark and Industrial Design Studies*

*Duration.* The duration of this course is ten weeks (early February to mid-May). The course corresponds to the fourth "module" (law of marks and other distinctive signs, industrial property contracts, competition law).

*Admission.* Admission to the course is pronounced by the Administrative Council in the light of the qualifications of the candidates and the duties currently or previously performed.

Candidates have to hold one of the following diplomas: mastership in law, mastership in management or one of the diplomas specified by the Order of January 8, 1968, mentioned earlier.

When the candidate holds neither a mastership in law nor a mastership in management, his admission to the course is subject to his following the first "module" of the CEIPI program, which is a general introduction to law (civil law, theory of contractual obligations, business law).

The Bureau of the Administrative Council may also pronounce the admission, on merit, of candidates who do not hold one of the diplomas mentioned above but who provide evidence of duties currently or previously performed that constitute sufficient professional training in France or abroad.

*Diploma.* A "Diploma of International Trademark and Industrial Design Studies" is awarded in the name and under the seal of the University of Strasbourg after the examination has been passed.

A person who holds both the Diploma of International Patent Studies and the Diploma of International Trademark and Industrial Design Studies is regarded as holding a "Diploma of International Industrial Property Studies."

## II. The International Section of CEIPI (SIPIT)

The courses of the International Section are divided into two branches: those relating to technology transfer and those to European patent law.

### 1. *Technology Transfer*

"Technology transfer" means the complex contractual operations by which national or international exchanges of scientific or technological knowledge are effected.

Licensing practice, in other words the policy of technology transfer, is determined by two parameters:

(i) one of these is strategic: choice of decisions regarding economic, social, financial, tax and other problems;

(ii) the other is legal: nature and content of contracts involved in the operation (patent assignment contracts, license and know-how agreements, engineering and technical assistance contracts, royalties, improvements, etc.), designation of the law governing the contract, arbitration, implications of anti-trust laws, etc.

The great importance of technology transfer in international relations demands special training of experts with experience of handling these various problems.

The teaching of technology transfer provided by CEIPI is international in a threefold sense, namely because of its content, the subject matter taught and the participants.

The CEIPI course includes study of the various laws on the subject in the main countries and regions of the world (highly industrialized countries, Socialist countries, developing countries). The teaching is given by the most qualified specialists of the main countries that practice licensing. The nationality of the students is very highly diversified, as they come from the various countries that are interested in technology transfer in the capacity of either licensor or licensee.

The course is held during at least two sessions a year.

Admission to a session does not require proof of specific diplomas, but rather the submission of a file providing evidence of professional experience.

A "Certificate of International Industrial Property Studies," with the mention "Licensing," is awarded by the University of Strasbourg III.

### 2. *European Patent Law*

The application and interpretation of the new European patent law as created by the European conventions call for thorough study on the part of patent specialists who already have a sound knowledge of their national law and perhaps also of foreign law.

The political, legal and economic importance of European patent law led CEIPI to introduce an international course.

The teaching staff is composed of university faculty and of practitioners from the main Contracting States, who were for the most part involved in the European patent negotiations.

### 3. *Teaching Intended for Officials Responsible for Industrial Property in Developing Countries*

In collaboration with the World Intellectual Property Organization, CEIPI has introduced a course on industrial property and technology transfer reserved for officials responsible for industrial property in developing countries.

The duration of this course is three weeks, and it is held once a year. Its purpose is to train officials who are or will be responsible for industrial property in developing countries.

#### 4. *Preparation for the Qualifying Examination as Professional Representatives before the EPO*

CEIPI has introduced a course specially designed to prepare European specialists for the qualifying examination organized by the EPO, affording access to the title of professional representative before the EPO.

### III. The "Research" Section of CEIPI

The development of the various courses within CEIPI, both national and international, has made it necessary to create a Research Section which concerns itself with the various branches of industrial property.

The creation of this Section was dictated by a number of factors. First, there had to be some coordination of the different kinds of initiatives that were being undertaken in French university or professional circles in connection with industrial property studies (memoranda, theses, articles, collective works, etc.).

Secondly, research action has to be promoted and its implementation ensured. This research action should be carried on in two areas, in the industrial field and in the commercial field.

*In the industrial field:* research is concerned with extra-contractual techniques (the know-how system; the patent system at the national, Community, European and international levels). Research is also concerned with contractual techniques (secrecy clauses, various industrial property clauses in employment, research, engineering and other contracts).

*In the commercial field:* research is concerned with legal techniques for the reservation of distinctive signs (trademark law, copyright) and with the legal techniques associated with the commercialization of distinctive signs (contracts for the use of trademarks, trademark clauses in distribution, franchising and other contracts).

### Conclusion

Since its creation, CEIPI has not ceased to extend and diversify its activities with a view to acquiring a genuinely international vocation. The results it has achieved have led interested circles to place a high level of trust in it.

## News Items

### UNITED STATES OF AMERICA

#### *Commissioner of Patents and Trademarks*

We have been informed that Mr. Gerald J. Mossinghoff has been appointed Commissioner of Patents and Trademarks.

## Calendar

### WIPO Meetings

(Not all WIPO meetings are listed. Dates are subject to possible change.)

#### 1981

- September 7 to 10 (Geneva) – Permanent Committee for Patent Information (PCPI) – Working Group on Patent Information for Developing Countries
- September 10 to 18 (Geneva) – Permanent Committee for Patent Information (PCPI) – Working Group on Planning
- September 24 and 25 (Nairobi) – Treaty on the Protection of the Olympic Symbol – Diplomatic Conference
- September 28 to October 24 (Nairobi) – Revision of the Paris Convention – Diplomatic Conference
- October 14 to 16 (Bogotá) – Committee of Experts on Means of Implementation of Model Provisions for National Laws on Intellectual Property Aspects of the Protection of Expressions of Folklore in the Latin-American and Caribbean States (convened jointly with Unesco)
- October 19 to 23 (Kingston) – Regional Seminar on Copyright for English-Speaking Caribbean States (convened jointly with Unesco)
- November 4 to 6 (Belgrade) – International Conference – Inventive Activity as a Factor for Development of Technology in the Developing Countries (organized by the Yugoslav Association of Innovators and Authors of Technical Improvements with the assistance of WIPO)
- November 9 to 13 (Geneva) – Permanent Committee for Patent Information (PCPI) and PCT Committee for Technical Cooperation
- November 11 to 13 (Geneva) – Rome Convention – Intergovernmental Committee (convened jointly with ILO and Unesco)
- November 16 to 24 (Geneva) – Governing Bodies (WIPO General Assembly, Conference and Coordination Committee, Assemblies of the Paris, Madrid, Hague, Nice, Lisbon, Locarno, IPC, PCT, TRT, Budapest and Berne Unions; Conferences of Representatives of the Paris, Hague, Nice and Berne Unions; Executive Committees of the Paris and Berne Unions; Committee of Directors of the Madrid Union; Council of the Lisbon Union)
- November 26 to 28 (New Delhi) – Regional Seminar on Copyright for Asian and Pacific States (convened jointly with Unesco)
- November 30 to December 7 (New Delhi) – Berne Union – Executive Committee – Extraordinary Session (sitting together, for the discussion of certain items, with the Intergovernmental Committee of the Universal Copyright Convention)
- December 7 to 11 (Geneva) – International Patent Classification (IPC) – Committee of Experts

#### 1982

- February 22 to 25 (Colombo) – Symposium on the Use and Usefulness of Trademarks in the Countries of the Asian and Pacific Region
- September 27 to October 5 (Geneva) – Governing Bodies (WIPO Coordination Committee; Executive Committees of the Paris and Berne Unions)

### UPOV Meetings

#### 1981

- September 8 to 10 (Wädenswil) – Technical Working Party for Vegetables
- September 22 to 25 (Wageningen) – Technical Working Party for Fruit Crops
- October 6 to 8 (Antibes) – Technical Working Party for Ornamental Plants
- October 12 to 14 (Geneva) – Administrative and Legal Committee
- October 14 to 16 (Geneva) – Technical Committee
- November 9 (Geneva) – Consultative Committee
- November 10 (Geneva) – 1981 Symposium
- November 10 to 12 (Geneva) – Council

### Meetings of Other International Organizations Concerned with Industrial Property

#### 1981

- European Patent Organisation: December 1 to 4 (Munich) – Administrative Council
- Inter-American Association of Industrial Property: October 18 to 21 (Acapulco) – Congress
- International Federation of Patent Agents: October 5 to 9 (Edinburgh) – Congress
- Pacific Industrial Property Association: November 4 to 6 (New York City) – International Congress
- Pharmaceutical Trade Marks Group: October 8 and 9 (Turin) – 23rd Conference

